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Pelican Rapids Business Retention and Expansion Strategies Program

Summary Report
December 2016



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SUMMARY REPORT

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Authored by Monica Haynes and Gina Gensing of the University of Minnesota Duluth, Bureau of Business and Economic Research.

Edited by Michael Darger, University of Minnesota Extension

Sponsors:

City of Pelican Rapids
West Central Initiative
Minnesota Department of Employment and Economic Development
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PELICAN RAPIDS BUSINESS RETENTION AND EXPANSION PROGRAM

Business Retention and Expansion is a key element of local economic development efforts. The BR&E economic development strategy focuses on the retention and expansion of existing businesses to assist them in navigating today's global economy. While the attraction of new businesses and incubation of start-ups can be important components of an overall economic development strategy, communities now recognize that helping existing businesses survive and grow is the number one strategy.

Expansions and contractions are defined as changes in employment at an existing plant or business location. Start-ups and dissolutions are defined as the creation or closing down of a separate plant or business location. This "churning" of business creation, dissolution, expansion, and contraction is a natural part of a local economy. The BR&E challenge to a community is to facilitate the expansions while taking preventative actions to reduce the number of dissolutions and diminish the contractions.

Commonly, more jobs are created by business expansions than by new business start-ups. Minnesota data from 2015 confirms that roughly 75% of new jobs in the state were created by existing business.¹ Pelican Rapids, in launching this BR&E program, has the potential to improve the climate for existing businesses and, therefore, benefit from the continued presence and growth of those businesses.

Another benefit of a BR&E program is the information provided by the survey on the community's strengths and weaknesses. The strengths can be highlighted in community promotional material, while the weaknesses give the community an opportunity to make important changes and show businesses it is responsive. By acknowledging its weaknesses, a community also shows businesses it is

trustworthy and will take a realistic look at its situation.

A final benefit of a BR&E program is how the process enhances the team of local leaders. The team is much broader than many other local economic development teams since it includes representatives from education and government in addition to business and economic development leaders. This diverse membership allows the local BR&E task force to bring in more resources, ideas, and contacts to address problems identified in the survey. Quite often, this local team will continue to interact in addressing other community concerns that arise long after the official program has ended.

Program Objectives

The Pelican Rapids BR&E Program has five objectives:

- To demonstrate support for local businesses
- To help solve immediate business concerns
- To increase local businesses' ability to compete in the global economy
- To establish and implement a strategic plan for economic development
- To build community capacity to sustain growth and development

Program Sponsors

The Pelican Rapids BR&E Program is sponsored by the following organizations:

- City of Pelican Rapids
- West Central Initiative
- Minnesota Department of Employment and Economic Development
- University of Minnesota Extension

¹ Source: Minnesota DEED, QCEW program

BR&E PROCESS AND KEY DATES

Community leaders who are invested in the program's implementation form the core for a BR&E initiative. They identify five to eight people to form the Leadership Team, each of whom has a clearly defined role in the BR&E process. The Leadership Team responsibilities are vast and vital to the success of the program. These include recruiting volunteers, identifying businesses to visit, providing survey input, performing business visits, coordinating milestone meetings, building community awareness, and recruiting the Task Force.

The Task Force guides the BR&E process, helps the Leadership Team with business visits, and becomes involved in prioritizing and responding to issues identified in the business interviews.

Pelican Rapids' BR&E initiative officially launched in February of 2016 with the Leadership Team's first meeting.

Volunteer Training

Volunteer Visitor training sessions, held in May of 2016, oriented volunteer visitors to the BR&E process. Volunteer visitors were trained on the use of the interview guide and how to interview business owners. Working as teams of two during the interview, one volunteer was primarily responsible for asking the questions, while the second recorded the responses.

Interview Guide

Pelican Rapids adopted Extension's interview guide (survey instrument). Volunteer visitors used the interview guide on the business visits.

Business Selection & Visits

The Pelican Rapids BR&E Leadership Team and Task Force visited 45 businesses during June, July, and August of 2016.

The BR&E leadership team reviewed and selected businesses based on knowledge of existing businesses. The team began with a full list of 223 businesses in the Pelican Rapids trade area based on Dun and Bradstreet and City of Pelican Rapids utility records. The

Leadership Team prioritized 120 businesses, including all businesses within the boundaries of the City of Pelican Rapids and select businesses with a close tie to the city in the neighboring communities of Dunvilla or Erhard. All 120 businesses were mailed a copy of the interview guide with a cover letter inviting their participation.

Warning Flag Review

The Warning Flag Review session, a highly critical piece of the BR&E process, provided an opportunity for the Task Force to identify individual business concerns that needed immediate attention. This is probably the single most important activity that a BR&E initiative can do – responding appropriately and confidentially to businesses on issues, such as business relocations, concerns with public service, needs for resources, etc. This was done by overall coordinators and business resources coordinators throughout the process and formally in September of 2016 with the Leadership Team.

Campus Research Review

Completed business surveys were tabulated and analyzed by the University of Minnesota. The data summary was provided to participants of the Pelican Rapids BR&E Campus Research Review meeting held August 22, 2016, in St. Paul. Participants identified predominant, common themes in the survey results and suggested project ideas to address the themes.

Research Report Development

Monica Haynes, Director of the Bureau of Business and Economic Research for UMD's Labovitz School of Business and Economics and her team prepared the research report utilizing the results of the Campus Research Review meeting and additional economic development research. The research report collectively detailed four overarching strategies and a robust compilation of suggested projects for each strategy.

Task Force Retreat

A Task Force retreat was held October 12, 2016, in Pelican Rapids where the Task Force was presented with the Research Report. The presentation included a Minnesota Department of Employment and Economic Development (DEED) overview of the Pelican Rapids area economy and demographic situation, the composite results of the business interviews, and the four strategies. The Research Report can be viewed by contacting one of the Task Force members.

Understandably, the Pelican Rapids BR&E Task Force has the most knowledge of its community and, therefore, can discern which projects would be locally suitable for implementation.

The Task Force reviewed and discussed the potential projects and developed new project ideas. Ultimately, four priority projects were created.

PELICAN RAPIDS BR&E PROGRAM PARTICIPANTS

Three groups of people have been instrumental to Pelican Rapids' BR&E program success to date – the Leadership Team, the Task Force and volunteer visitors, and the businesses visited. Additionally, the Campus Research Review team deserves acknowledgement for their process participation.

Pelican Rapids BR&E Leadership Team Members

Brittany Dokken, Business Leader –Milestone Meeting Coordinator

Dawn Finn, Other Community Leader – Co-chair

C.J. Holl, Pelican Rapids City Council – Media Coordinator

Dena Johnson, Business Leader – Co-chair

John Ohman, Business Leader – Business Resources Coordinator

Don Solga, Local Government – Visitation Coordinator

University of Minnesota Extension BR&E Consultant

Ryan Pesch, Extension Educator in Community Economics, served as the BR&E consultant to Pelican Rapids. This included coaching and advising the Leadership Team, conducting volunteer visitor trainings, and assisting in several important ways along the way.

Pelican Rapids BR&E Task Force Members

David Diele

Richard Gabe

Tony Huseby

Jim Johnson

Harold Nelson

Scott Richardson

Andrew Sorum

Greg Wagner

Volunteer Visitors

The following volunteers helped visit the

- Adele Butenas
- Rudy Butenas
- Mark Dokken
- Maggie Driscoll
- Brent E. Frazier
- Terry Gamble
- Barbara Garrity
- John Gorton
- David Gottenborg
- Danielle Heaton
- Bridgette Holl
- Greta Johnson
- Jon Karger
- Maree Pesch
- Don Perrin
- Paul Restad
- Mike Strand
- Steve Strand
- Judy Tabbut
- Deb Wanek
- Chris Walz

participating businesses:

Businesses Visited

The following 45 businesses graciously agreed to be interviewed as part of the BR&E visitation

process. While survey responses are confidential, it is important to acknowledge the effort of participating businesses.

Assembly Engineering

Auto Connection

Azure Vision Care

Bell State Bank & Trust

Birchwood Golf Course

Broadway Auto Repair

Brown Eyed Susans LLC

Century 21 Vista

Christianson Bus Service, Inc.

Coldwell Banker Preferred Partners

Country Villa Insurance

Crane Johnson Lumber

Environmental Control Systems, Inc.

Farmers Elevator Company of Pelican Rapids

Flatirons Financial LLC

Gottenborg Chiropractic

Heart O'Lakes Meats

Krekelberg Law Firm

Lake Area Docks & Lift

Lake Region Electric Cooperative

Lakes Country Insurance

Larry's Supermarket

Larson Law Firm

Menu Masters, Inc.

Mercantile on Mail

Minnesota National Bank

Muddy Moose

Park Region Oil Coop

Pelican Dental

Pelican Drug

Pelican Rapids Pool Hall LLC

Pelican Rapids Press

Pete's Body Shop, Inc.

Rapid Marine Center

Rapids Brake & Alignment

RehabPLUS and Fitness

Riverview Place

Roger's Repair/Pelican Transmission

State Farm

Strand Hardware

VRii

Weckwerth Animal Hospital

Weishairs Barbers & Styling

West Central Turkeys

Woessner Insurance/New York Life

Campus Research Review Team Members

The Campus Research Review panel was comprised of University of Minnesota faculty and staff, Minnesota Department of Employment and Economic Development (DEED) specialists, other economic development professionals, and Pelican Rapids Leadership Team members. This group analyzed the survey data to identify both the SWOT (strengths, weaknesses, opportunities, and threats) as well as to ideate potential project ideas that address issues emerging from the SWOT analysis. A list of participants in the Campus Research Review follows.

Pelican Rapids BR&E Leadership Team

Brent Frazier, Pelican Rapids Mayor

C.J. Holl, Pelican Rapids City Council

Dawn Finn, Other Community Leader

Don Solga, Local Government

Minnesota Department of Employment and Economic Development

David Heyer, Business Development Specialist

Chet Bodin, Research Analysis Specialist

Economic and Community Development
Professionals

Craig Nathan, Director of Field Operations –
Rural Minnesota CEP

Kathi Schaff, Director of Grow Minnesota

University of Minnesota

Michael Darger, U.M. Extension BR&E Program
Director

Laura Kalambokidis, U.M. Department of
Applied Economics

Lee Munnich, U.M. Humphrey School

Monica Haynes, UMD, Bureau of Business and
Economic Research

Gina Gensing, UMD, Bureau of Business and
Economic Research

Andrew Burke, UMD, Bureau of Business and
Economic Research

Xinyi Qian U.M. Extension Educator

Ryan Pesch, U.M. Extension Educator

Additional Assistance

Lauren Sorgaard, data input and tabulation,
Extension Cloquet Regional Office

Jodie Kaden and Ilyas Wehelie, report assembly
and printing, Extension Center for Community
Vitality.

**PELICAN RAPIDS'S ECONOMIC AND
DEMOGRAPHIC PROFILE**

A profile of Pelican Rapids' economy and
demographics was prepared for the Research
Report and presented at the Task Force retreat
on October 12, 2016. The profile, created by
Chet Bodin of the Minnesota Department of
Employment and Economic Development
(DEED), contains statistics on population,
demographics, employment, wages, commuting
and labor sheds, unemployment, and
occupations. A full copy of the profile can be
viewed in the BR&E research report by
contacting one of the Task Force members.

PELICAN RAPIDS'S INTERVIEW RESULTS

Of the 45 businesses surveyed in Pelican Rapids,
nearly 90% are locally owned, and most (73%)
began operations within the community. The
most common business categories among the
45 companies visited, based on the North
American Industry Classification System
(NAICS), were Retail Trade (24%),
Finance/Insurance (16%),
Professional/Scientific/Technical Services (13%),
and Health Care Services/Social Assistance (11%)
(See Figure 1).

According to DEED's 2015 Quarterly Census of Employment and Wages (QCEW), 16% of firms were classified within the Retail Trade industry. Other major industries in the city included Health Care and Social Assistance (10% of firms), Finance and Insurance (8%), and Transportation and Warehousing (6%). This suggests that some sectors (Retail Trade, Finance) were over-represented among BR&E participants, relative to the size of the industry within the community, while others (Transportation) were relatively under-represented.

When asked how many employees they expect will be added or subtracted, surveyed

Of responding businesses, 27% indicated expanding at their current location, and 11% are considering expanding at another location. When asked about plans to modernize or expand their present building(s) or equipment, Pelican Rapids businesses were evenly split, with slightly more than half indicating that they did have plans to modernize or expand, and 42% responding no.

However, the percentage of businesses that indicated they are considering some negative change (either downsizing, selling, moving, or closing) totaled nearly 30%. When asked to elaborate on their reasons for that change, respondents had mixed answers (see Figure 2).

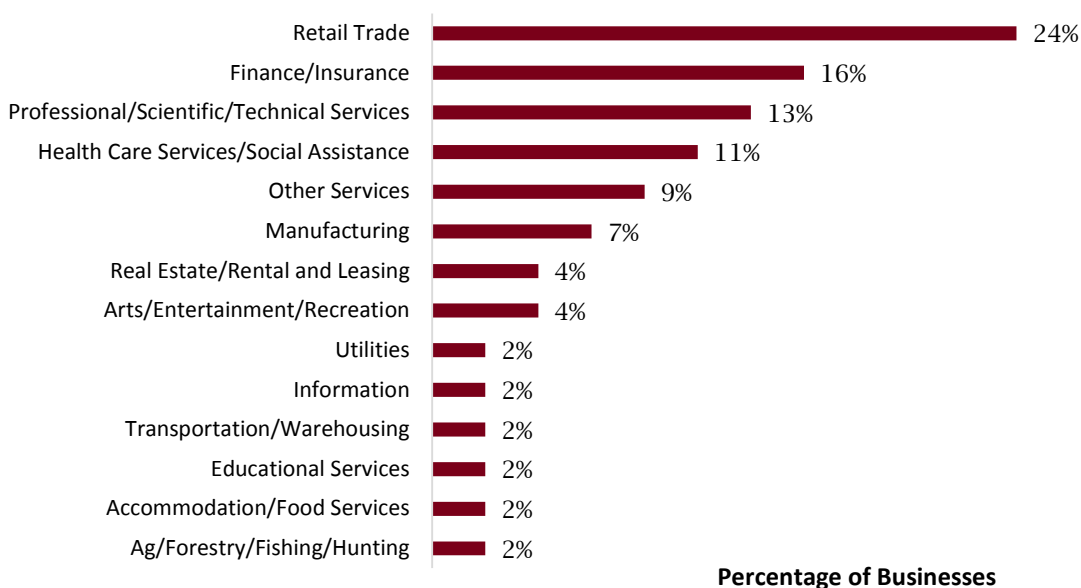


Figure 1. Which of the following NAICS categories best describes your business?

businesses indicated that they expect to add a combined total of 136 new jobs over the next three years. None of the businesses indicated plans to decrease the number of employees. Of the jobs being considered, more than 100 are in the Health Care industry. This potential job growth could represent a large increase in employment for the city, as total employment in Pelican Rapids was approximately 1,600 in 2015 according to DEED's employment statistics.

Eleven percent of surveyed business respondents indicated that they are considering retirement. A smaller share (4%) are frustrated by high local taxes and/or a changing market (4%). A number of businesses (7%) indicated some other reason.

The percentage of Pelican Rapids business respondents who are considering retirement is significant, especially considering that only 31%

of respondents indicated that they had a written transition plan in place.

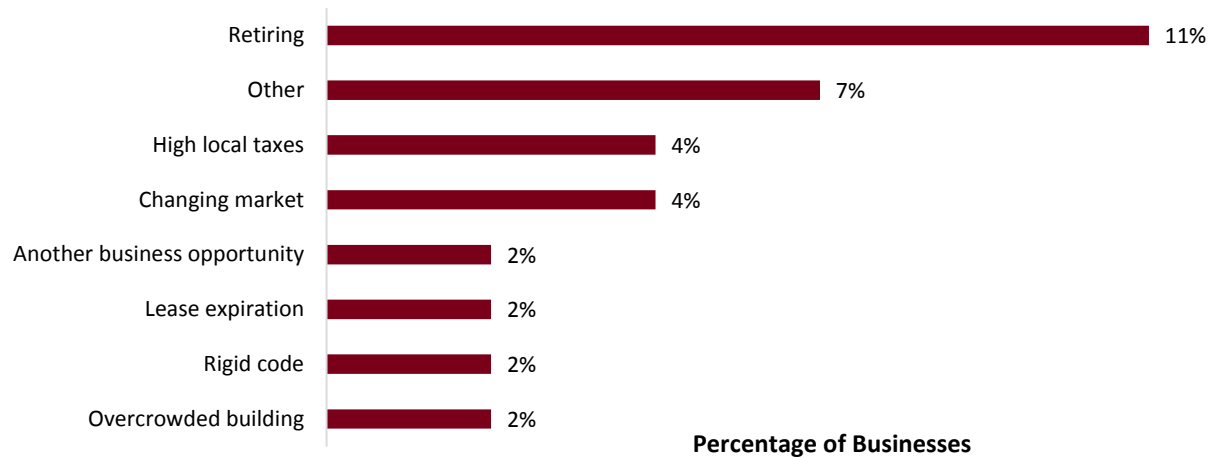


Figure 2. If downsizing, selling, moving, or closing, what are the reasons?

Businesses were also asked their satisfaction with various community factors, ranging from energy costs to railroad service. The local fire department had the highest average rating, at 3.86 (with 1 being very dissatisfied and 4 being very satisfied). This is typical of BR&E communities, where fire and police are typically regarded very highly. Recreational opportunities was the second highest rated factor

On the other hand, the lowest rated item was the local housing supply, which received an average rating of 1.89. Availability of child care had the second lowest satisfaction with a rating of 2.00. Incentives for business (2.17) and employee health care costs were among some of the other items with the lowest average ratings.

Satisfaction with local civic groups was high across the board, with average scores of 3.28 or higher among survey respondents.

Identified Strategies

Four primary strategies emerged from an analysis of the interview results and discussions by the Campus Research Review Panel. These strategies provide a framework for studying the

issues raised in the Pelican Rapids BR&E process. Below are the four identified strategies.

1. Increase and improve community engagement initiatives
2. Strengthen workforce development and establish cohesive initiatives
3. Develop and strengthen business assistance initiatives
4. Brand and market the community's identity

Under each strategy, the Research Report listed potential projects that the Pelican Rapids BR&E Task Force could select to help accomplish the strategy. During their October 12, 2016 retreat, the Task Force developed four priority projects to address business concerns. The Task Force built on project ideas as written in the Research Report to create projects that were suitable for Pelican Rapids. These priority projects are listed here and described below.

BR&E Priority Projects:

1. **Identify, gather, and organize community and service groups**

2. **Restructure the Chamber and reorganize the EDC (Economic Development Corporation)**
3. **Create a Business Development Toolkit**
4. **Develop a marketing plan for Pelican Rapids**

The respective project teams created each project's description. Descriptions include general reasoning for each project and the plans developed by the project committee.

Furthermore, the interview results that highlight the need for the project are included where appropriate. If you are interested in assisting in any of the projects' implementation, please contact one of the committee members listed.

Priority Project #1: Identify, gather, and organize community and service groups

The committee is chaired by Dawn Finn. Individuals who offered to volunteer as committee members are Rudy Butenas, Andrew Sorum, and Dena Johnson. Contact one of these people to learn more or to get involved.

This group plans to discuss and create future opportunities among local organizations including:

- Identify those who have served their community and create a ceremony to give recognition to them. Use this opportunity to honor what those people have given and provide an opportunity to potential new people who also want to share their gifts and talents.
- Solicit volunteers for other positions. At that time, look to have others join the committee for implementation and establishment of community engagement.

Timeline and action steps:

- First Step - identify all service groups, nonprofits, and organizations: Completed.
- December 28, 2016: Second Step - create a master list.
- January 21, 2017: Third step - identify area of coverage and invite all of those named in Step 1 (using the inter-agency model) to a community-wide meeting in February, 2017.

We will then begin identifying the strength and the barriers of our community needs.

Related Research Results for Project #1

Respondents rated their satisfaction with civic groups on a scale with 1 being very dissatisfied to 4 being very satisfied (see Table 1). All of the civic groups earned average scores of 3.28 or higher. Businesses reported being most satisfied with nonprofits and foundations (3.34).

Table 1. Rate your satisfaction with civic groups in the community?

Civic Group	Satisfaction
Nonprofits & Foundations	3.34
Fraternal Organizations	3.32
Places of Worship	3.32
Service Clubs	3.30
Other	3.29
Veterans Groups	3.28

1 = Very Dissatisfied

4 = Very Satisfied

However, it seems much could be done to promote the visibility and the good work that these groups do, as several survey respondents said they were not very aware of the groups' presence. Additionally, the increased visibility may help to increase membership, as several survey respondents noted that the organizations are in need of younger members and broader participation.

Priority Project #2: Restructure the Chamber and reorganize the EDC (Economic Development Corporation)

The committee is chaired by John Ohman. Individuals who offered to volunteer as committee members are Patty Boen, Nadine Brown, Adele Butenas, and Dawn Finn. Contact one of these people to learn more or to get involved.

Based on the input of the BR&E study, the Pelican Rapids Area Chamber of Commerce has already added three committees to enhance the services provided to its members and potential members. These include:

- A Main Street Retail Committee headed by Patty Boen. This committee is to coordinate with all Pelican retail establishments to develop and implement a coordinated marketing effort.
- A Government Affairs Committee. This committee is to provide a resource for Chamber members to work with the City of Pelican Rapids on improvements to the visibility of the community as well as to bring to the City issues that pertain to City regulations and ordinance enactment and enforcement.
- An Economic Development Committee. This committee is to provide a foundation to resurrect the Pelican Economic Development Corporation (EDC). The committee will remain in place as the avenue to restructure and rebuild the Pelican Rapids EDC. This committee is headed by Dawn Finn with Adele Butenas and Nadine Brown as initial members.

Related Research Results for Project #2

According to the survey findings, Pelican Rapids businesses appear to be less than satisfied with their local Chamber and EDA. When asked about their satisfaction with various community factors, surveyed businesses gave the Chamber an average score of 2.66 (with 1 being poor and 4 being excellent) and the EDA a score of 2.47. Community promotion of itself and of business also had a relatively low score, at 2.63 (see Table 2).

Table 2. Community factors with lowest satisfaction

Community Factor	Average Satisfaction
Housing supply	1.89
Avail Child care	2.00
Incentives	2.17
Health care	2.29
Railroad	2.33
Availability buildings	2.47
EDA	2.47
Broadband speed	2.49
Telecom costs	2.56

Cost buildings	2.60
Transit	2.62
Community promotion	2.63
Availability land	2.63
Chamber	2.66
Telecomm reliability	2.70

1 = Very Dissatisfied

4 = Very Satisfied

In addition, 22% of local businesses reported being very dissatisfied with the incentives for business investment in facilities, worker skills, or more workers. This factor earned an average satisfaction score of only 2.17, the third lowest ranked item on the list.

Priority Project #3: Create a Business Development Toolkit

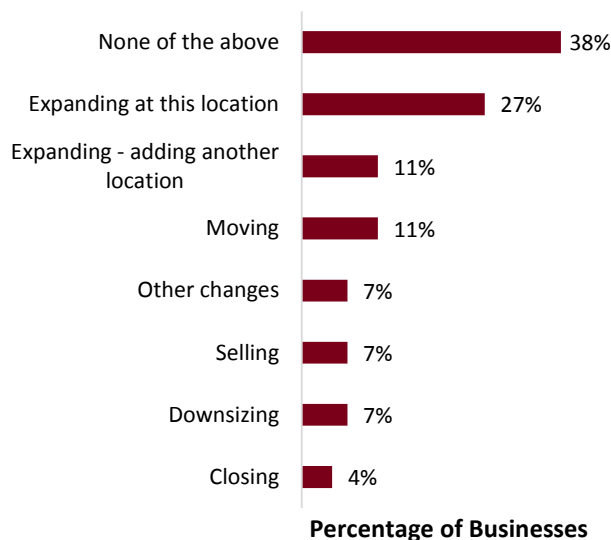
The committee is chaired by Ryan Pesch. Individuals who offered to volunteer as committee members are Jim Johnson, Tony Huseby, Harold Nelson, and Don Solga. Contact one of these people to learn more or to get involved.

The business development toolkit will be a written document available to assist prospective and current business operators in starting or expanding a business in Pelican Rapids. There are many resources which are available through state and regional agencies as well as the City of Pelican Rapids itself. Too often these programs and finance options are not known about or understood. Also, since resources are available from so many sources, researching this information can take a great deal of time. The toolkit will make this information readily available and explain business incentives options so that entrepreneurs can make informed decisions about next steps in business development. The distribution of the toolkit at places where entrepreneurs can find it will also provide a signal that the City of Pelican Rapids is "open for business" and encourages local development.

Related Research Results for Project #3

Fifty-three percent of surveyed businesses indicated that they have plans to modernize or expand their present building(s) or equipment. In addition, a total of 38% stated they have plans to expand, either at the current location (27%) or by adding another location (11%), as shown in Figure 3.

Figure 3. Are you currently considering any of the following future plans?



Priority Project #4: Develop a marketing plan for Pelican Rapids

The committee is chaired by C. J. Holl. Individuals who offered to volunteer as committee members are Adele Butenas, Rudy Butenas, Mike Strand, Danielle Heaton, and Patti Boen. Contact one of these people to learn more or to get involved.

In the past, marketing the city of Pelican Rapids was done by individual businesses and occasionally the Chamber or other civic groups. The BR&E identified the need for a comprehensive marketing plan for Pelican Rapids. It would be something that would highlight the best attributes of the city as a place to live and as a place for businesses and recreational opportunities. Many things could roll into an eventual plan, however, working in conjunction with the county's initiatives and Maplewood State Park and highlighting community diversity were early contenders for positive messaging. Also, a need was recognized to market Pelican Rapids to itself (e.g. 'Moorhead Proud' campaign) and to coordinate group advertising efforts. The Marketing Plan will be something that will require funding from multiple sources, a consistent positive message, and a sustained presence over time to be successful.

Related Research Results for Project #4

When asked which community factor related to tourism should be the focus of a marketing campaign, businesses selected outdoor recreation, seasonal tourism, and natural environment as their top three choices on average (see Figure 4). Sixty percent of business respondents indicated that outdoor recreation in Pelican Rapids has a very positive affect on tourism, while 51% and 42% said the same thing for seasonal tourism and natural environment, respectively.

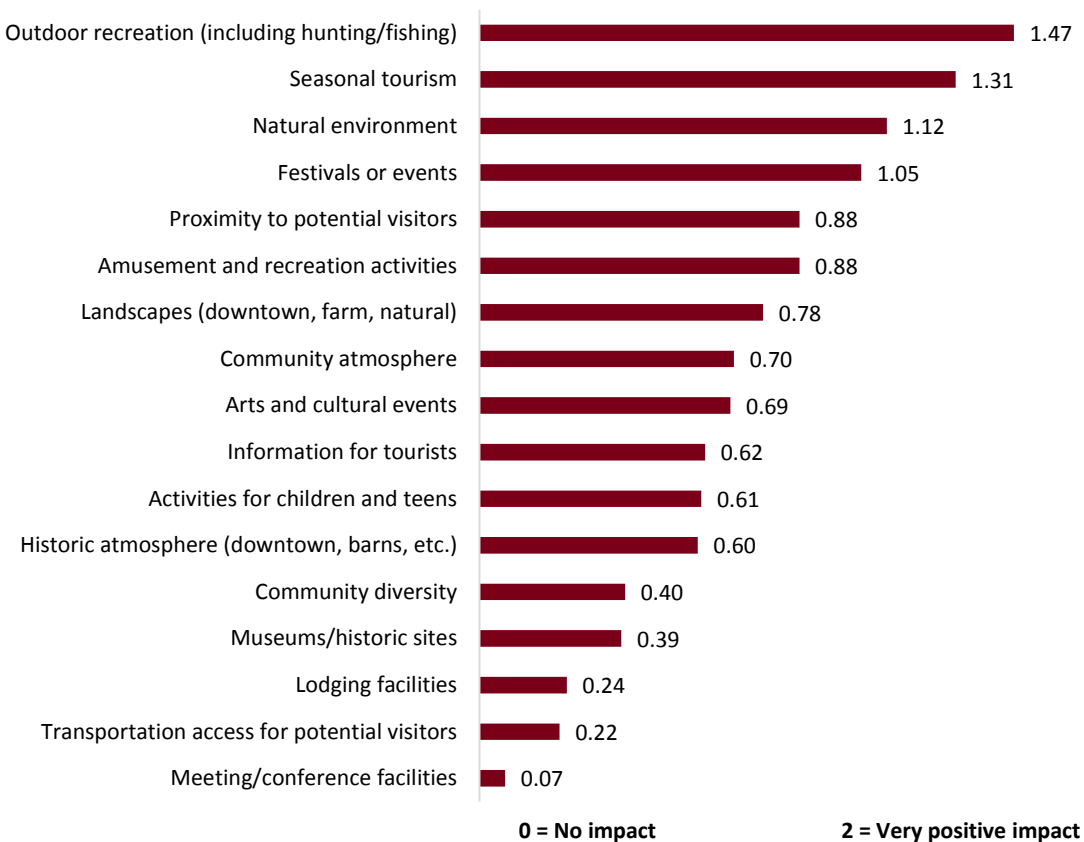


Figure 4. Impact of tourism-related community features on business

Credits

The Pelican Rapids BR&E Task Force selected these priority projects. Monica Haynes and Gina Gensing of UMD's Labovitz School of Business and Economics' Bureau of Business and Economic Research (BBER) prepared this summary report. Michael Darger of U.M. Extension provided editing and report compilation assistance.

